MEMORANDUM

TO:	Chief Financial Officers
	All State Departments and Agencies
FROM:	Sandra J. Friedle, Director
	Office of Support Services
	John J. Linderman, Director
	Office of Financial Management
DATE:	March 25, 1998
SUBJECT:	Changes in Travel Expense Reimbursements-MAIN FACS Release 98-1 "Enhanced Travel"

The purpose of this memorandum is to notify you about new options available for reimbursing your employees for their travel expenses.

Overview
On March 30, 1998 the Enhanced Travel module will become operational in MAIN, giving all agencies the option of using either **full functionality** (Enhanced Travel A), or **partial functionality** (Enhanced Travel B) to pay employee travel reimbursements. This selection can be made at either an agency-wide level or at the employee level.

Background
Currently, the State reports taxable travel reimbursements on employee W-2 statements, but does not withhold the applicable payroll taxes. Both options A and B allow the State to comply with Internal Revenue Service (IRS) regulations that require payroll tax withholding on taxable travel reimbursements. By complying with the IRS regulations regarding withholding, the State minimizes the risk of employer or employee penalties for under-withholding. While current capabilities and Option B allow for the capture of summary travel information, Option A provides increased detail and more comprehensive information for reporting and control.

Enhanced Travel A Option - Full Travel Functionality - This functionality provides for consistent travel related classification codes and for the capturing of data. It provides inquiry and reporting processes specific to State travel related expenditures. This subsystem provides the capability to enter, approve, pay and maintain travel information for employees. It also supports the capability for employees to create their travel expense vouchers on-line. This functionality will create the appropriate accounting entries and authorization verifications.

While we recognize that Enhanced Travel Option A may initially require additional administrative efforts, we strongly recommend its use. The gains in accuracy and uniformity of information which result from its use will benefit individual agencies and statewide reporting . After a reasonable period of Option B usage, we will review whether it will continue to be available.

This functionality will be incorporated into the ADPICS accounts payable system as an additional subsystem. Specifically, this subsystem will perform the following functions:

- Travel expense reimbursement to employees

- Travel authorization and advance processing

- Monitoring and tracking outstanding travel advances by individual employee

- Approval processing for travel documents

- Tracking and monitoring travel vouchers by employee

- Collecting relevant information relating to a specific trip

- If applicable, calculating and processing federal income tax withholding.

- If applicable, calculating and processing the employee and State share of social security and Medicare tax.

- Capturing W2 information for IRS reporting purposes

Agencies currently enter travel expenses into ADPICS at the summary Comptroller Object level. Under Option A, agencies enter travel expenses by rate codes, which will infer the Comptroller Object. A list of the current rate codes is attached to this memo.

Effective April 1, 1998, lodging may be arranged through the State's contract with Spartan Travel, which will provide a confirmation number. Please record the confirmation number on the Travel Voucher Form, thus eliminating the need for the exception approval process. The current process for requesting exceptions to the standard rates will also be available.

Several new Comptroller Objects have been established for use with rate codes. Agencies that use Agency Objects will establish new Agency Objects that "look up" the new Comptroller Objects. Agency Objects will continue to be entered on the travel transactions. An on-line edit will ensure that correct Agency Object/Comptroller Object pairs are used. The attached list of rate codes also contains the new comptroller Objects and should be referred to when establishing new Agency Objects.

New profile tables will be added with the Enhanced Travel module. Three of the new tables will be the PCHL1620 Traveler Master Table, PCHL1640 Travel Location Table and PCHL1645 Point to Point Mileage Table. The PCHL1620 will be maintained centrally. The following paragraphs contain descriptions of these tables:

- The PCHL1620, Traveler Master Table is an optional agency controlled table that allows the user to enter detailed travel information for each traveler. Examples are coding block information, per diem indicator and rate override indicator. The coding block information and "from" location will then default to these values during travel voucher processing

- The PCHL1640, Travel Locations Table allows the user to define valid location codes that are used to identify "from" and "to" travel locations. The table also identifies the location's rate for federal allowable meals and for incidental expenses. DMB Vehicle and Travel Services (VTS) and MAIN will maintain this table centrally. VTS will approve all agency requests for table changes.

- The PCHL1645, Point to Point Mileage Table allows users to define valid travel destination mileage by identifying the total one-way miles between two locations. In addition, for each "from" and "to" location pair, a two-character code will define the proximity of the travel (i.e., out of state, in state, out of country). The locations used in the Point to Point Mileage Table must be consistent with the locations defined in the Travel Location Table (PCHL1640). VTS and MAIN will control this table centrally. VTS will approve all agency requests for table changes. In order to process a travel voucher using point-to-point mileage, users must enter a valid "from" and "to" location pair on the travel voucher screen. For a "from" and "to" location to be valid, it must exist in the Point to Point Mileage Table. Generic "from" and "to" locations will be available for use when locations or point-to-point mileage pairs are not available.

Taxable Travel - The system will use rate codes to calculate any taxable portion of the travel reimbursement. It will calculate the withholding taxes and reduce the payment to the employee by the tax withheld. If a travel advance has been issued and the payment (travel expenses less any travel advance) is not large enough to withhold federal income, social security and Medicare taxes, they will be withheld from the employee's subsequent pay warrant.

The system will use the selected rate code and its related federal tax category code to determine what portion of the travel reimbursement is taxable. Please refer to the attached lists of rate codes for titles and related information for each category.

Category 1 - Mileage: The mileage rate used to calculate the reimbursement will be compared to the federal mileage rate (currently 32.5 cents per mile). If the mileage rate used for the reimbursement exceeds the federal rate, the excess over the federal rate will be taxable.

Categories 3, 6, 7, and 8 - Not used at this time.

Category 4 - Not subject to withholding: Rate codes using this category are entirely non-taxable.

Category 5 - Non-qualified expense: Rate codes using this category are entirely taxable.

The withheld taxes will be reported on the remittance advice that accompanies the travel reimbursement. The taxable amount and the taxes withheld will also be subsequently reflected in the employee's payroll statement of earnings and deductions in the year-to-date amounts, and, at the end of the year, in the employee's W-2 form.

Enhanced Travel Option B - Partial Use of New Functionality

As suggested previously, agencies are strongly encouraged to use Enhanced Travel Option A because it automatically performs the calculations of taxable and nontaxable amounts that are required under Enhanced Travel Option B.

Under Enhanced Travel Option B, agencies must manually calculate the taxable portion of reimbursements and enter those amounts, using the appropriate object code, as described below:

Mileage: Because both the State's current premium rate (31 cents) and standard rate (25 cents) are below the current federal mileage reimbursement rate (32.5 cents), no portion of either rate is taxable at this time. These reimbursements should be entered using the applicable premium object code or standard object code per the attached object code listing. You will be notified if future rate changes require that you perform this calculation.

If you pay mileage at a rate higher than 32.5 cents, the excess above 32.5 cents will be taxable

taxable payments must be entered using the "non-taxable-portion of taxable" object. Example: If you reimburse In-State travel at 33.5 cents, 1 cent is taxable, using object code 4816. The related 32.5 cents is non-taxable, but reportable, using object code 4817.

Meals and incidental expenses (MIE):

No overnight stay- When an employee doesn't stay overnight, all meal expenses for that trip are taxable and must be entered using the taxable object codes listed on the attached object code listing.

Overnight stays- If the employee is in travel status, i.e., stayed overnight either the previous night or the same day as the expenses were incurred, all expenses of that day are non-taxable and should be entered using the nontaxable object code from the attached object code listing.

Refer general questions regarding Enhanced Travel to the MAIN help desk at (517) 373-6222. Refer questions regarding "point-to-point" tables, location tables, or travel policy issues to Ms. Rebecca Morris, manager, Administration and Finance Management, VTS, telephone (517) 322-1764. Direct questions regarding the taxability of travel expenses to Mr. Donald Knieper, Director, Financial Operations Division, Office of Financial Management, telephone (517) 335-1616.

cc: Chief Accountants
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The following comptroller objects will be used with Enhanced Travel A and are new with Release 98-1:

	COBJ	COBJ Title
NEW	4920	Pers Veh-Mileage Reimb-In State-PTM
NEW	4925	Airfare-In State-PTM
NEW	4930	Other Common Carrier-In State-PTM
NEW	4935	Meals-In State-PTM
NEW	4936	Meals-Nontaxable-In State-PTM
NEW	4940	Lodging-In State-PTM
NEW	4945	Per Diem-In State-PTM
NEW	4954	Other Tax Emp Travel Exp- In State PTM
NEW	4955	Other Employee Travel Exp-In State-PTM
NEW	4960	Mileage Reimb-Out of State-PTM

NEW 4965   Airfare -Out of State-PTM

NEW 4970   Other Common Carrier-Out of State-PTM

NEW 4975   Meals-Out of State-PTM

NEW 4976   Meals-Nontaxable-Out of State-PTM

NEW 4980   Lodging-Out of State-PTM

NEW 4985   Per Diem-Out of State-PTM

NEW 4994   Other Tax Emp Travel Exp-Out of State-PTM

NEW 4995   Other Employee Travel Expen-Out of State-PTM

NEW 7382*   Employee SS/Medicare/Federal Tax Travel

NEW 7383*   Employer SS/Medicare/Taxable Travel

*If D11 Agency Objects are used, they must be established identical to these comptroller objects. The D11 profiles must be active in production on March 30, 1998.

The following comptroller objects will be used with Enhanced Travel B:

	COBJ	COBJ Title
	4810**	Std mileage-Nontaxable - In State
NEW	4811	Std mileage-Nontaxable portion of Taxable - In State
NEW	4812	Std mileage-Taxable portion-In State
	4815**	Prem mileage-Nontaxable-In State
NEW	4816	Prem mileage-Taxable portion-In State
NEW	4817	Prem mileage-Nontaxable portion of Taxable -in State
	4830	Airfare - In State
	4835	Other Common Carrier - In State
	4840	Meals - Nontaxable - In State
	4845	Meals - Taxable - In State
	4850	Lodging - Nontaxable - In State
	4851	Lodging - Taxable - In State
	4855	Other Employees Travel Expenses - In State
	4856	Leg SOCC Expense Allowance - Nontaxable
	4857	Leg SOCC Expense Allowance - Taxable
	4865**	Std Mile-Nontaxable - Out of State
NEW	4866	Std Mileage-Nontaxable portion of Taxable-Out of state
NEW	4867	Std Mileage-Taxable-Out of State
	4870**	Prem mileage-Nontaxable-Out of State
NEW	4871	Prem mileage-Taxable - Out of State
NEW	4872	Prem mileage-Nontaxable portion of Taxable-Out of State
	4885	Airfare - Out of State
	4890	Other Common Carrier - Out of State
	4895	Meals - Nontaxable - Out of State

	4905	Meals - Taxable Out of State
	4910	Lodging - Out of State
	4915	Other Employee Travel Exp - Out of State
NEW	7382*	Employee SS/Medicare/Federal Tax Travel
NEW	7383*	Employer SS/Medicare/Taxable Travel

* If D11 Agency Objects are used, they must be established identical to these comptroller objects. The D11 profiles must be active in production on March 30,1998.

**Descriptions have been modified to more clearly reflect current usage.

The following comptroller object will be inactivated when release 98-1 is in production (3/30/98).

COBJ	**COBJ Title**
4820	Per Veh Use- Union Mile Reimb-In State
4875	Per Veh Use- Union Mile Reimb-In state

For current travel rates, see the Travel Rate Table in ADPICS (screen PCHL 1630).